

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

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LOCAL AUDIT & FINANCE DIV.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Cherry Grove Township</b>	County <b>Wexford</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/2/04</b>	Date Accountant Report Submitted to State: <b>11/11/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

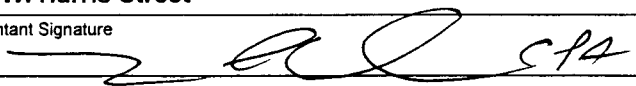
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49601</b>	Date <b>11-10-04</b>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

JUNE 30, 2004

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CADILLAC, MICHIGAN

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MICHAEL D. COOL, C.P.A.

September 2, 2004

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Cherry Grove Township  
Wexford County  
Cadillac, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of July 1, 2003.

The management's discussion and analysis on pages iii through xi and budgetary comparison information on page 25-29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherry Grove Township, Wexford County, Cadillac, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Cherry Grove Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Cherry Grove Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2004. In future years, comparative information will be provided.

Financial Highlights Section

There was a positive \$109,765 change in governmental fund balances in contrast to last year's balances.

- The General fund increased by \$73,295. A Citizens Long Range Planning committee has been meeting for a year to determine how to best meet the needs of the citizens. The Township Board may also consider a Capital Improvement Revolving Fund to set aside funds specifically for long-term goals. If this is done, budgeting of expenditures will be more conservative and budgets will be used more as a management tool in order to preserve funds for the long-term goals.
- The Fire Fund increased by \$23,910. This is only a minor amount in contrast to the anticipated truck expenditures that are needed in the Fire Department's future.
- The Municipal Street Fund increased by \$17,627. This is due to citizen petitions for road improvements that have not yet been returned. If returned, large expenditures will occur for road building.

The assets of the townships exceed the liabilities at the close of the year by \$2,266,453 of that amount \$1,146,333 may be used to meet the township's ongoing obligation to citizens and creditors. This reflects the township's conservative approach towards debt and it's careful accumulation of assets to provide carefully selected services in order to not have to ask for more taxes that necessary.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2004 for Cherry Grove Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government and administration, public safety, public works, cultural and recreation, debt service, and other functions. The business-type activities of the Township include Sewer operation.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$2,266,453 at June 30, 2004, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

**Cherry Grove Township  
Net Assets as of June 30, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Assets</b>			
Current Assets	\$ 544,491	\$ 634,829	\$ 1,179,320
Non Current Assets			
Capital Assets	906,377	1,269,562	2,175,939
Less: Accumulated Depreciation	(403,775)	(634,780)	(1,038,555)
Total Non Current Assets	502,602	634,782	1,137,384
<b>Total Assets</b>	<b>\$ 1,047,093</b>	<b>\$ 1,269,611</b>	<b>\$ 2,316,704</b>
<b>Liabilities</b>			
Current Liabilities	\$ 36,727	\$ 0	\$ 36,727
Long-Term Liabilities	13,524	0	13,524
<b>Total Liabilities</b>	<b>50,251</b>	<b>0</b>	<b>50,251</b>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Net Assets</b>			
Invested in Capital Assets - Net of Related Debt	485,338	634,782	1,120,120
Restricted for Public Safety and Recreation and Culture	163,857	0	163,857
Unrestricted	347,647	634,829	982,476
<b>Total Net Assets</b>	<b>996,842</b>	<b>1,269,611</b>	<b>2,266,453</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,047,093</b>	<b>\$ 1,269,611</b>	<b>\$ 2,316,704</b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$982,476 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$49,155 or 2.217% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Cherry Grove Township  
Change in Net Assets  
for the Fiscal Year Ended June 30, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 55,627	\$ 107,425	\$ 163,052
Operating Grants and Contributions	26,880	0	26,880
Capital Grants and Contributions	3,290	0	3,290

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>General Revenues</b>			
Property Taxes and Assessments	164,460	0	164,460
State Shared Revenue	161,778	0	161,778
Unrestricted Investment Earnings	3,390	3,233	6,623
Gain on Sale of Capital Assets	2,100	0	2,100
Other	46	0	46
<b>Total Revenues</b>	<b>417,571</b>	<b>110,658</b>	<b>528,229</b>
<b>Expenses</b>			
Legislative	6,350	0	6,350
General Government, Administrative	139,816	0	139,816
Public Safety	98,607	0	98,607
Public Works	5,372	0	5,372
Recreation and Culture	72,404	0	72,404
Other Functions	25,750	0	25,750
Debt Service	3,388	0	3,388
Sewer	0	127,387	127,387
<b>Total Expenses</b>	<b>351,687</b>	<b>127,387</b>	<b>479,074</b>
Changes in Net Assets	65,884	(16,729)	49,155
<b>NET ASSETS – Beginning of Year</b>	<b>930,958</b>	<b>1,286,340</b>	<b>2,217,298</b>
<b>NET ASSETS – End of Year</b>	<b>\$ 996,842</b>	<b>\$ 1,269,611</b>	<b>\$ 2,266,453</b>

**Governmental Activities**

During the fiscal year ended June 30, 2004, the Township's net assets increased by \$65,884 or 7.08% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Cherry Grove Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2004, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

## CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED JUNE 30, 2004

The Township levied operating and fire protection millages, this fiscal year. As a result, current property tax revenue increased by \$6,203 or 4.70%. The Township levied 0.7895 mills for operating purposes and 0.9847 mills for fire protection.

The Township's governmental activities expenses are dominated by general governmental expenses that total 39.76% of total expenses. The Township spent \$139,816 in fiscal year 2004 on general administrative expenses. Public safety represented the next largest expense at \$98,607.

#### **Business-Type Activities**

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$107,425 for 2004. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$100,959 of the Sewer Funds expenses or 79.25%. Depreciation expense of \$25,391 accounted for the next largest expense or 19.93%.

Sewer operations experienced a 1.301% decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets and the investment valuation write down on investments.

The Sewer Fund is the Township's only Business-Type activity.

#### **Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Cherry Grove Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Cherry Grove Township's governmental funds reported combined ending fund balances of \$504,285. Approximately 54.38% of this total amount (\$274,226) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, such as capital outlay, that will enhance fire protection.

**General Fund** – The General Fund increased its fund balance by \$73,295, which brings the fund balance to \$274,226. Of the General Fund's fund balance, \$274,226 is unreserved.

Property tax revenues increased by 5.42% or \$4,512. State shared revenues decreased by \$7,564 from the prior year. This represents a 4.52% reduction which resulted from the State Actions in response to the economic slowdown experienced throughout the State of Michigan.

**Municipal Street Fund** – The Road Improvement Fund increased its fund balance by \$17,627, which brings the fund balance to \$65,077. The balance is designated to be used for road improvements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

The majority of the sources of revenue that funds the Municipal Street Fund is a transfer from the General Fund. The General Fund provided 85.88% of the revenues.

**Fire Fund** – The Fire Fund increased its fund balance by \$23,910, which brings the fund balance to \$103,417. This balance is reserved and must be used for fire protection.

The Township did levy a fire millage on the 2003 tax roll. Tax related revenues totaled \$76,707 a 4.70% increase, for the current fiscal year. All of the Fire Funds function, except for the debt service function, ended the year with expenditures below budgeted amounts. The debt service differential is minor and was funded by available fund balance.

**Liquor Law Enforcement Fund** – The Liquor Law Enforcement Fund increased its fund balance by \$322, which brings the fund balance to \$1,125. This balance is designated to be used for liquor law enforcement.

The township elected to make the Liquor Law Enforcement Fund a major fund under the guidelines of the new GASB 34 accounting standard because it was the only fund that would have been classified as non-major.

**Lake Improvement Fund** – The Lake Improvement Fund decreased its fund balance by \$5,389, which brings the fund balance to \$60,440. This balance is reserved and must be used for lake improvement. This fund is run by a board appointed by various entities with an interest in Lake Mitchell. The Township's role is mainly as a recordkeeping function as one of the establishing entities.

**Proprietary Fund** The Township's proprietary fund provides the same information as the government-wide statements.

**Sewer Fund** – The Sewer Fund ended the fiscal year with a decrease in net assets of \$16,729. This is due largely to the deduction of depreciation expense on the Fund's capital assets and a write down of the funds investments to fair market value. Despite the decrease in net assets, the Fund is still in stable condition. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

Over time the fund should experience positive cash flow in order to afford future repairs and replacements of the sewer system.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of June 30, 2004 amounted to \$1,137,384 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 3.23% entirely in the governmental activities.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**CHERRY GROVE TOWNSHIP, WEXFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR FISCAL YEAR ENDED JUNE 30, 2004**

***Cherry Grove Township  
Capital Assets as of June 30, 2004***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Land and Land Improvements	\$ 6,155	\$ 0	\$ 6,155
Buildings	229,856	0	229,856
Improvements Other than Buildings	0	1,269,562	1,269,562
Equipment, Furniture and Vehicles	670,366	0	670,366
	906,377	1,269,562	2,175,939
Less Accumulated Depreciation	403,775	634,780	1,038,555
<b>Net Capital Assets</b>	<b>\$ 502,602</b>	<b>\$ 634,782</b>	<b>\$ 1,137,384</b>

Major capital asset events during the current fiscal year included the following:

- ♦ Sold a vehicle for \$2,100 from the Fire Fund.
- ♦ The purchase of a 2003 Chevrolet 2500 pickup by the General Fund and the Fire Fund for various Township uses amounted to \$24,950.
- ♦ The purchase of a new foam backpack by the Fire Fund for fire protection amounted to \$3,212.
- ♦ The purchase of new cribbing by the Fire Fund for fire protection amounted to \$1,725.
- ♦ The Fire Fund received a state grant in the amount of \$3,290 for the purchase of various assets.

**Long-Term Debt.** As of June 30, 2004, the Township had total debt outstanding of \$17,264 for the purchase of a 2003 Chevrolet 2500 pickup. This debt is serviced 50% by the General Fund and 50% by the Fire Fund.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease by at least 1.091% in the 2004-05 fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to 0.7895 mills for general operating purposes.

A fire millage was levied for the 2003 tax roll. The mills to be levied for the 2004 tax roll for fire protection are expected to be similar to 2003.

These factors were considered in preparing the Township's budgets for the 2004-05 fiscal year.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Cherry Grove Township at 4830 E. M-55, Cadillac, MI 49601.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 156,182	\$ 31,941	\$ 188,123
Accounts Receivable	0	27,345	27,345
Interest Receivable	0	2,359	2,359
Special Assessment Receivable	9,214	0	9,214
Investments	378,918	573,184	952,102
Taxes Receivable	177	0	177
Total Current Assets	544,491	634,829	1,179,320
<u>CAPITAL ASSETS</u>			
Land and Improvements	6,155	0	6,155
Buildings	229,856	0	229,856
Sewer System	0	1,269,562	1,269,562
Equipment, Furniture and Vehicles	670,366	0	670,366
	906,377	1,269,562	2,175,939
Less Accumulated Depreciation	403,775	634,780	1,038,555
Net Capital Assets	502,602	634,782	1,137,384
TOTAL ASSETS	1,047,093	1,269,611	2,316,704
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	32,987	0	32,987
Current Portion of Long-Term Liabilities	3,740	0	3,740
Total Current Liabilities	36,727	0	36,727
<u>NONCURRENT LIABILITIES</u>			
Note Payable (Net of Current Portion)	13,524	0	13,524
TOTAL LIABILITIES	50,251	0	50,251
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	485,338	634,782	1,120,120
Restricted for Public Safety	103,417	0	103,417
Restricted for Recreation and Culture	60,440	0	60,440
Unrestricted	347,647	634,829	982,476
TOTAL NET ASSETS	\$ 996,842	\$ 1,269,611	\$ 2,266,453

The accompanying notes are an integral part of the financial statements.



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	BUSINESS-TYPE	
					GOVERNMENTAL ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 6,350	\$ 0	\$ 0	\$ 0	\$ (6,350)	\$ (6,350)
General Government, Administrative	140,824	21,467	0	0	(119,357)	(119,357)
Public Safety	99,950	34,160	1,955	3,290	(60,545)	(60,545)
Public Works	5,372	0	0	0	(5,372)	(5,372)
Recreation and Culture	72,739	0	24,925	0	(47,814)	(47,814)
Other Functions	25,750	0	0	0	(25,750)	(25,750)
Debt Service	702	0	0	0	(702)	(702)
Total Governmental Activities	351,687	55,627	26,880	3,290	(265,890)	(265,890)
<u>BUSINESS-TYPE ACTIVITIES</u>						
Sewer System	127,387	107,425	0	0	0	(19,962)
TOTAL	\$ 479,074	\$ 163,052	\$ 26,880	\$ 3,290	\$ (265,890)	\$ (285,852)
<u>GENERAL REVENUES</u>						
Property Tax and Special Assessments					\$ 164,460	\$ 164,460
State Shared Revenue					161,778	161,778
Unrestricted Investment Earnings					3,390	6,623
Gain on Sale of Capital Assets					2,100	2,100
Other					46	46
Total General Revenues and Transfers					331,774	335,007
Change in Net Assets					65,884	49,155
NET ASSETS - Beginning of Year					930,958	2,217,298
NET ASSETS - End of Year					\$ 996,842	\$ 2,266,453

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2004

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	TOTALS
\$	42,982	\$ 10,254	\$ 17,447	\$ 1,125	\$ 84,374	\$ 156,182
	0	9,214	0	0	0	9,214
238,885		57,011	83,022	0	0	378,918
0		0	3,817	0	0	3,817
79		0	98	0	0	177
<b>\$ 281,946</b>	<b>\$ 76,479</b>	<b>\$ 104,384</b>	<b>\$ 1,125</b>	<b>\$ 84,374</b>	<b>\$ 548,308</b>	

ASSETS

Cash  
Special Assessment Receivable  
Investments  
Due from Other Funds  
Taxes Receivable  
**TOTAL ASSETS**

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable  
Due to Other Funds  
Deferred Revenue  
Total Liabilities

FUND BALANCE

Reserved for:

Fire Protection  
Lake Improvement  
Unreserved

Designated for:

Street Improvements  
Liquor Law Enforcement  
Undesignated  
Total Fund Balance

**TOTAL LIABILITIES**

**AND FUND BALANCE**

\$	3,903	\$ 4,183	\$ 967	\$ 0	\$ 23,934	\$ 32,987
3,817	0	0	0	0	0	3,817
0	7,219	0	0	0	0	7,219
<b>7,720</b>	<b>11,402</b>	<b>967</b>	<b>0</b>	<b>23,934</b>	<b>44,023</b>	
0	0	103,417	0	0	103,417	
0	0	0	0	60,440	60,440	
0	65,077	0	0	0	65,077	
0	0	0	1,125	0	1,125	
274,226	0	0	0	0	274,226	
<b>274,226</b>	<b>65,077</b>	<b>103,417</b>	<b>1,125</b>	<b>60,440</b>	<b>504,285</b>	
<b>\$ 281,946</b>	<b>\$ 76,479</b>	<b>\$ 104,384</b>	<b>\$ 1,125</b>	<b>\$ 84,374</b>	<b>\$ 548,308</b>	

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004

Total Fund Balances for Governmental Funds	\$ 504,285
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Improvements	\$ 6,155	
Buildings	229,856	
Equipment, Furniture and Vehicles	670,366	
Accumulated Depreciation	<u>(403,775)</u>	502,602

Other long-term assets are not available to pay for current period  
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	7,219
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Long term liabilities are not due and payable in the current period and  
are not reported in the funds

Note Payable	<u>(17,264)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 996,842</u></u>
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The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	TOTALS
<u>REVENUES</u>						
Taxes	\$ 87,753	\$ 0	\$ 76,707	\$ 0	\$ 0	\$ 164,460
Licenses and Permits	9,641	0	0	0	0	9,641
State Grants	159,921	0	3,290	1,857	0	165,068
Contributions From Local Units	0	0	0	0	24,925	24,925
Charges for Services	9,611	0	275	0	0	9,886
Interest and Rents	4,658	657	439	0	311	6,065
Other Revenues	0	2,456	1,955	0	33,425	37,836
Total Revenues	271,584	3,113	82,666	1,857	58,661	417,881
<u>EXPENDITURES</u>						
Legislative	6,350	0	0	0	0	6,350
General Government	142,400	0	0	0	0	142,400
Public Safety	0	0	69,137	2,535	0	71,672
Public Works	960	4,412	0	0	0	5,372
Recreation and Culture	11,184	0	0	0	64,050	75,234
Other Functions	25,750	0	0	0	0	25,750
Debt Service	1,694	0	1,694	0	0	3,388
Total Expenditures	188,338	4,412	70,831	2,535	64,050	330,166
Excess (Deficiency) of Revenues Over Expenditures	83,246	(1,299)	11,835	(678)	(5,389)	87,715

The accompanying notes are an integral part of the financial statements.

	OTHER FINANCING SOURCES (USES)							
	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	TOTALS		
Operating Transfers In	0	18,926	0	1,000	0	19,926		
Operating Transfers Out	(19,926)	0	0	0	0	(19,926)		
Sale of Fixed Assets	0	0	2,100	0	0	2,100		
Notes Payable Issued	9,975	0	9,975	0	0	19,950		
Total Other Financing Sources (Uses)	(9,951)	18,926	12,075	1,000	0	22,050		
Net Change in Fund Balance	73,295	17,627	23,910	322	(5,389)	109,765		
<u>FUND BALANCE - Beginning of Year</u>	200,931	47,450	79,507	803	65,829	394,520		
<u>FUND BALANCE - End of Year</u>	\$ 274,226	\$ 65,077	\$ 103,417	\$ 1,125	\$ 60,440	\$ 504,285		

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2004

Net change in Fund Balance - Total Governmental Funds	\$ 109,765
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(54,094)
Capital Outlay	29,887
Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	
Truck Payments Payable	2,686
Loan proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets.	(19,950)
Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.	
Special assessment revenue previously recognized when earned for the entity wide statements.	<u>(2,410)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 65,884</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2004

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>ASSETS</u>	<u>SEWER FUND</u>
<u>CURRENT ASSETS</u>		
Cash		
Money Market Account		\$ 31,941
Accounts Receivable		
Service Billings		27,345
Interest Receivable		2,359
Investments		
Short-Term Investment Fund and U.S. Treasury Notes		<u>573,184</u>
Total Current Assets		<u>634,829</u>
<u>CAPITAL ASSETS</u>		
Improvements Other Than Buildings		1,269,562
Less Accumulated Depreciation		<u>634,780</u>
Net Capital Assets		<u>634,782</u>
TOTAL ASSETS		<u><u>\$ 1,269,611</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in Capital Assets		634,782
Unrestricted		<u>634,829</u>
Total Net Assets		<u>1,269,611</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 1,269,611</u></u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2004

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 107,425</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Insurance	135
Professional Services	895
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	100,959
Depreciation	25,391
Miscellaneous	<u>7</u>
Total Operating Expenses	<u>127,387</u>
Operating Income (Loss)	<u>(19,962)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	19,869
Net Increase (Decrease) in the Fair Value of Investments	<u>(16,636)</u>
Total NonOperating Revenues (Expenses)	<u>3,233</u>
Change in Net Assets	(16,729)
<u>NET ASSETS</u> - Beginning of Year	<u>1,286,340</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 1,269,611</u></u>

The accompanying notes are an integral part of the financial statements.



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2004

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 105,259
Cash Payments to Suppliers for Goods and Services	<u>(101,996)</u>
Net Cash Provided (Used) by Operating Activities	<u>3,263</u>
Cash Flows from Investing Activities:	
Interest on Investments	19,774
Net Increase (Decrease) in Fair Value of Investments	(16,636)
Acquisition of Short-Term Investment Fund and U.S. Treasury Notes	<u>(3,419)</u>
Net Cash Provided (Used) by Investing Activities	<u>(281)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,982
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>28,959</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u><u>\$ 31,941</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>(19,962)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	25,391
(Increase) Decrease in Current Assets	
Accounts Receivable - Service Billings	<u>(2,166)</u>
Total Adjustments	<u>23,225</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,263</u></u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Cherry Grove Township is a general law township located in Wexford County which operates under the direction of an elected township board. As required by generally accepted accounting principles, these financial statements present the government and its blended component unit, an entity for which the Township is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the Township for financial reporting purposes so its data is combined with the Township.

Blended Component Unit . The Lake Mitchell Improvement Authority was established to provide for the improvement of Lake Mitchell and is funded by special assessments on lake front property owners. Cherry Grove Township, Selma Township, and the City of Cadillac are all members of the Authority. Each unit appoints members to the Authority Board. Cherry Grove Township is financially the largest member of the Authority and therefore the Authority is considered a component unit of the Township. The Authority is reported as a special revenue fund.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction , or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Cherry Grove Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for street improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Liquor Law Enforcement Fund* accounts for revenue sources that are legally restricted to expenditure for liquor law enforcement.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditure for lake improvements.

Cherry Grove Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Selma Township.

Additionally Cherry Grove Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

The investment policy adopted by the Township states that the Township is limited to investments authorized by Public Act 20 of 1943 (MCL 129.91 et seq), as amended, or as shall be amended in the future, and may include the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Cherry Grove Township Board at the Board's organizational meeting after each regular election of members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (ex Sess) PA7, MCL 124.501 to 124.512.
- (e) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
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they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2003 taxable valuation of Cherry Grove Township totaled \$77,859,814, on which ad valorem taxes levied consisted of 0.7895 mills for Cherry Grove Township operating purposes, and 0.9847 mills for Cherry Grove Township fire protection. These levies raised approximately \$62,902 for operating purposes, and \$76,707 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Improvements	20
Infrastructure	20-50
Equipment, Furniture and Vehicles	5-10

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
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***5. Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***8. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

***9. Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***10. Comparative Data/Reclassifications***

Comparative total data for prior years have been presented for all funds in the fund financial statement in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

end. Budget amounts presented are as originally adopted on June 11, 2003, or as amended by the Township board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township board exercises budgetary control over expenditures.

Encumbrance accounting not employed in governmental funds.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The Township's deposits and investments are owned by several of the Township's funds. Of the Township's \$187,823 of total bank deposits, \$187,823 are fully insured, and none are uninsured and uncollateralized. At year-end, the carrying amount of the Township's deposits was \$187,823 and the bank balance was \$187,978. All bank deposits at year-end were in the Citizens Bank, Cadillac, Michigan.

In addition to bank deposits the Township has invested \$952,102 in investments as described below and has \$100 of petty cash on hand in the General Fund. Also, the Township has \$200 of petty cash on hand in the Fire Fund.

**DEPOSITS**

The carrying amount of the Township's deposits at year-end are shown below:

	BANK DEPOSITS	
	COMMERCIAL ACCOUNTS	MONEY MARKET ACCOUNTS
General Fund	\$ 15,838	\$ 27,044
Municipal Street Fund	10,254	0
Fire Fund	17,247	0
Liquor Fund	1,125	0
Lake Improvement Fund	2,456	81,918
Sewer Fund	0	31,941
	<u>\$ 46,920</u>	<u>\$ 140,903</u>

**INVESTMENTS**

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
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Category 1 - Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the Township's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the Township's name.

	CATEGORY			CARRYING	MARKET
	1	2	3	AMOUNT	VALUE
U.S. Treasury Notes	\$	0	\$ 431,267	\$	431,267
Investment Trust Funds				520,835	520,835
				\$ 952,102	\$ 952,102

**B. Receivables**

Receivables as of year end for the government's individual major funds, and nonmajor funds in aggregate, are as follows:

	General	Municipal Street	Fire	Liquor Law Enforcement	Lake Improvement	Sewer	Total
Receivables							
Taxes	\$ 79	\$ 0	\$ 98	\$ 0	\$ 0	\$ 0	\$ 177
Special Assessments	0	9,214	0	0	0	0	9,214
Accounts	0	0	0	0	0	27,345	27,345
Interest	0	0	0	0	0	2,359	2,359
Total	\$ 79	\$ 9,214	\$ 98	\$ 0	\$ 0	\$ 29,704	\$ 39,095

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
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JUNE 30, 2004

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Special Assessments Earned, but not yet available	\$ 7,219	\$ 0

**C. Capital Assets**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 6,155	\$ 0	\$ 0	\$ 6,155
Capital assets, being depreciated				
Buildings	229,856	0	0	229,856
Equipment, Furniture, and Vehicles	641,979	29,887	1,500	670,366
Total capital assets, being depreciated	871,835	29,887	1,500	900,222
Less accumulated depreciation for:				
Buildings	58,244	6,305	0	64,549
Equipment, Furniture, and Vehicles	292,937	47,789	1,500	339,226
Total accumulated depreciation	351,181	54,094	1,500	403,775
Total capital assets, being depreciated, net	520,654	(24,207)	0	496,447
Governmental activities capital assets, net	\$ 526,809	\$ (24,207)	\$ 0	\$ 502,602
Capital assets, being depreciated				
Improvements other than buildings	\$ 1,269,562	\$ 0	\$ 0	\$ 1,269,562
Less accumulated depreciation for:				
Improvements other than buildings	609,389	25,391	0	634,780
Business-type activities capital assets, net	\$ 660,173	\$ (25,391)	\$ 0	\$ 634,782

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 8,404
Public Safety	<u>45,690</u>
Total depreciation expense - governmental activities	<u>\$ 54,094</u>
Business-type activities:	
Sewer	<u>\$ 25,391</u>

Construction Commitments:  
None

The government has no outstanding construction commitments as of June 30, 2004.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at June 30, 2004, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 0	\$ 3,817
Special Revenue Funds		
Fire Fund	<u>3,817</u>	<u>0</u>
	<u>\$ 3,817</u>	<u>\$ 3,817</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of June 30, 2004, were:

	<u>TRANSFERS IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 19,926
Municipal Street Fund	18,926	0
Local Law Enforcement Fund	<u>1,000</u>	<u>0</u>
	<u>\$ 19,926</u>	<u>\$ 19,926</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**4. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended June 30, 2004:

	INSTALLMENT NOTE
Long-Term Debt Payable at July 1, 2003	\$ 0
Long-Term Debt Issued	19,950
Long-Term Debt Retired	<u>(2,686)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2004	<u>\$ 17,264</u>
Amount due within one year	<u>\$ 3,740</u>

YEAR ENDING <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2005	\$ 3,740	\$ 784	\$ 4,524
2006	3,931	593	4,524
2007	4,131	393	4,524
2008	4,342	182	4,524
2009	1,120	11	1,131
	<u>\$ 17,264</u>	<u>\$ 1,963</u>	<u>\$ 19,227</u>

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/net assets have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

FUND BALANCE/NET ASSETS

Reserved

Lake Improvement Fund

Lake Improvement

\$ 60,440

Fire Fund

Fire Protection

103,417

Designated

Municipal Street Fund

Street Improvements

65,077

Liquor Law Enforcement Fund

Liquor Law Enforcement

1,125

TOTAL FUND BALANCE DESIGNATIONS

\$ 230,059

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all employees except for volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 21 and is ineligible at age 73. An employee's normal retirement date is age 65 except for those age 56 and over at entry who will retire after 10 years of participation in the plan or at the plan anniversary nearest age 75 if sooner.

Township contributions to the plan for 2003-2004, amounted to \$13,066 including administration fees of \$270. Total covered payroll amounted to \$105,676 and total wages including non-covered payroll was \$116,426.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**C. Lake Improvement Fund**

The Township has joined with Selma Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township which has been designated by the Lake Improvement Board to maintain the records for the Lake Improvement Fund.

**D. Sewer Fund**

The Township is participating with Selma and Clam Lake Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was financed through state and federal grants and the sale of special assessment bonds. The total cost of the project was \$2,605,674. Cherry Grove Township's share of this project is 48.723% (\$1,269,562). This amount has been capitalized as an asset in the Sewer Fund and as a charge to contributed equity. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<u>REVENUES</u>				
Taxes	\$ 77,900	\$ 77,900	\$ 87,753	\$ 9,853
Licenses and Permits	7,700	7,700	9,641	1,941
State Grants	162,461	162,461	159,921	(2,540)
Charges for Services	8,400	8,400	9,611	1,211
Interest and Rents	3,100	3,100	4,658	1,558
Total Revenues	259,561	259,561	271,584	12,023
<u>EXPENDITURES</u>				
Legislative	14,270	14,270	6,350	7,920
General Government	172,975	180,375	142,400	37,975
Public Works	1,800	1,800	960	840
Recreation and Culture	15,500	15,500	11,184	4,316
Other Functions	28,400	28,400	25,750	2,650
Debt Service	0	0	1,694	(1,694)
Contingency	38,391	30,991	0	30,991
Total Expenditures	271,336	271,336	188,338	82,998
Excess (Deficiency) of Revenues Over Expenditures	(11,775)	(11,775)	83,246	95,021
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(25,000)	(25,000)	(19,926)	5,074
Notes Payable Issued	0	0	9,975	9,975
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(9,951)	15,049
Net Change in Fund Balance	(36,775)	(36,775)	73,295	110,070
<u>FUND BALANCE - Beginning of Year</u>	203,120	203,120	200,931	(2,189)
<u>FUND BALANCE - End of Year</u>	\$ 166,345	\$ 166,345	\$ 274,226	\$ 107,881



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	MUNICIPAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Interest and Rents	\$ 590	\$ 590	\$ 657	\$ 67
Other Revenues	925	925	2,456	1,531
Total Revenues	1,515	1,515	3,113	1,598
<u>EXPENDITURES</u>				
Public Works	63,086	63,086	4,412	58,674
Excess (Deficiency) of Revenues Over Expenditures	(61,571)	(61,571)	(1,299)	(57,076)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	20,000	20,000	18,926	(1,074)
Net Change in Fund Balance	(41,571)	(41,571)	17,627	(58,150)
<u>FUND BALANCE - Beginning of Year</u>	41,575	41,575	47,450	5,875
<u>FUND BALANCE - End of Year</u>	\$ 4	\$ 4	\$ 65,077	\$ (52,275)

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
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YEAR ENDED JUNE 30, 2004

	FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 77,000	\$ 77,000	\$ 76,707	\$ (293)
State Grants	1,275	1,275	3,290	2,015
Interest and Rents	1,000	1,000	439	(561)
Other Revenues	500	500	4,055	3,555
Total Revenues	79,775	79,775	84,491	4,716
<u>EXPENDITURES</u>				
Public Safety	96,950	96,950	69,137	27,813
Debt Service	0	0	1,694	(1,694)
Total Expenditures	96,950	96,950	70,831	26,119
Excess (Deficiency) of Revenues Over Expenditures	(17,175)	(17,175)	13,660	30,835
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Payable Issued	0	0	9,975	9,975
Net Change in Fund Balance	(17,175)	(17,175)	23,635	40,810
<u>FUND BALANCE - Beginning of Year</u>	51,700	51,700	79,507	27,807
<u>FUND BALANCE - End of Year</u>	\$ 34,525	\$ 34,525	\$ 103,142	\$ 68,617

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	<u>LIQUOR LAW ENFORCEMENT FUND</u>			
	<u>ORIGINAL</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>			<u>WITH FINAL</u>
				<u>BUDGET</u>
<u>REVENUES</u>				
State Grants	\$ 1,743	\$ 1,743	\$ 1,857	\$ 114
<u>EXPENDITURES</u>				
Public Safety	3,000	3,000	2,535	465
Excess (Deficiency) of Revenues Over Expenditures	(1,257)	(1,257)	(678)	579
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,000	1,000	1,000	0
Net Change in Fund Balance	(257)	(257)	322	579
<u>FUND BALANCE</u> - Beginning of Year	826	826	803	(23)
<u>FUND BALANCE</u> - End of Year	\$ 569	\$ 569	\$ 1,125	\$ 556

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

LAKE IMPROVEMENT FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Contributions From Local Units	24,625	24,625	24,925	300
Interest and Rents	219	219	311	92
Other Revenues	33,375	33,375	33,425	50
Total Revenues	\$ 58,219	\$ 58,219	\$ 58,661	\$ 442
<u>EXPENDITURES</u>				
Culture and Recreation	86,450	86,450	64,050	22,400
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,231)	\$ (28,231)	\$ (5,389)	\$ 22,842
<u>FUND BALANCE</u> - Beginning of Year	80,280	80,280	65,829	(14,451)
<u>FUND BALANCE</u> - End of Year	\$ 52,049	\$ 52,049	\$ 60,440	\$ 8,391

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Petty Cash	\$ 100	\$ 100
Commercial Account	15,838	2,721
Money Market Account	27,044	22,410
Investments		
Short-Term Investment Fund	238,885	178,951
Taxes Receivable	79	89
TOTAL ASSETS	<u>\$ 281,946</u>	<u>\$ 204,271</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,903	\$ 3,340
Due to Other Funds	3,817	0
TOTAL LIABILITIES	7,720	3,340
<u>FUND BALANCE</u>		
Unreserved	274,226	200,931
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 281,946</u>	<u>\$ 204,271</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes	\$ 77,900	\$ 77,900	\$ 87,753	\$ 83,241
Business Licenses and Permits	7,700	7,700	9,641	9,939
State Grants	162,461	162,461	159,921	167,485
Charges for Services	8,400	8,400	9,611	6,873
Interest and Rents	3,100	3,100	4,658	6,005
Other Revenues	0	0	0	2,977
Total Revenues	259,561	259,561	271,584	276,520
<u>EXPENDITURES</u>				
Legislative				
Township Board	14,270	14,270	6,350	24,009
General Government				
Supervisor	9,500	9,500	8,381	6,310
Election	10,800	10,800	1,856	4,125
Accounting	3,600	3,800	3,790	2,925
Assessor	32,156	32,156	28,749	28,956
Attorney	4,000	4,000	242	969
Clerk	27,465	27,465	20,537	21,015
Board of Review	2,375	2,375	1,596	1,542
Treasurer	33,204	33,204	27,340	31,221
Building and Grounds	10,365	12,065	14,214	7,174
Municipal Building	14,975	20,475	24,405	13,866
Cemetery	24,535	24,535	11,290	13,198
Public Works	1,800	1,800	960	879
Recreation and Cultural	15,500	15,500	11,184	10,341
Other Functions	28,400	28,400	25,750	24,472
Debt Service	0	0	1,694	0
Contingency	38,391	30,991	0	0
Total Expenditures	271,336	271,336	188,338	191,002
Excess of Revenues Over (Under) Expenditures	(11,775)	(11,775)	83,246	85,518

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Payable Issued	0	0	9,975	0
Operating Transfers Out	(25,000)	(25,000)	(19,926)	(235,716)
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(9,951)	(235,716)
Excess of Revenues Over (Under)				
Expenditures and Other Financing Uses	(36,775)	(36,775)	73,295	(150,198)
<u>FUND BALANCE</u> - Beginning of Year	203,120	203,120	200,931	351,129
<u>FUND BALANCE</u> - End of Year	<u>\$ 166,345</u>	<u>\$ 166,345</u>	<u>\$ 274,226</u>	<u>\$ 200,931</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES  
YEAR ENDED JUNE 30, 2004

TAXES

Current Property Taxes	\$ 61,501	
Delinquent Property Taxes	1,401	
Property Tax Administration Fee	24,358	
Payments in Lieu of Taxes		
Swamp Tax	482	
Penalties and Interest on Taxes	11	
Total Taxes		87,753

LICENSES AND PERMITS

Cable TV Franchise Fee	9,181	
Land Split Permits	460	
Total Licenses and Permits		9,641

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	156,141	
Telecommunications Right of Way Maintenance	3,780	
Total State Grants		159,921

CHARGES FOR SERVICES

Dog License Fees	16	
Burial Fees	1,500	
Sale of Cemetery Lots	1,200	
Summer Tax Collection	6,847	
Miscellaneous	48	
Total Charges for Services		9,611

INTEREST AND RENTS

Interest Earnings	1,983	
Rents and Royalties	2,675	
Total Interest and Rents		4,658

TOTAL REVENUES

271,584

OTHER FINANCING SOURCES

Notes Payable Issued	9,975	
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TOTAL REVENUES AND  
OTHER FINANCING SOURCES

\$ 281,559



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 2,636

Supplies

Office Supplies 95

Other Services and Charges

Contracted Services 297

Transportation and Expense 9

Printing and Publishing 446

Miscellaneous 575

Dues and Subscriptions 1,494

Capital Outlay 798

Total Legislative 6,350

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages 8,045

Other Services and Charges

Transportation and Expense 230

Miscellaneous 106 8,381

Elections

Personal Services

Salaries and Wages 483

Other Services and Charges

Supplies 350

Miscellaneous 76

Capital Outlay 947 1,856

Accounting

Other Services and Charges

Contracted Services 3,790

Assessor

Personal Services

Salaries and Wages 23,844

Salaries and Wages - Deputy 859

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2004

Supplies		
Office and Operating Supplies	912	
Other Services and Charges		
Contracted Services	1,033	
Transportation and Expense	400	
Printing and Publishing	1,472	
Miscellaneous	229	28,749
Attorney		
Other Services and Charges		
Contracted Services		242
Clerk		
Personal Services		
Salaries and Wages	16,265	
Salaries and Wages - Deputy	738	
Supplies		
Office Supplies	959	
Other Services and Charges		
Computer Expense	1,696	
Transportation and Expense	372	
Printing and Publishing	34	
Education and Training	75	
Miscellaneous	263	
Dues and Subscriptions	135	20,537
Board of Review		
Personal Services		
Salaries and Wages	1,216	
Other Services and Charges		
Miscellaneous	380	1,596
Treasurer		
Personal Services		
Salaries and Wages	19,994	
Salaries and Wages - Deputy	1,164	
Supplies		
Office Supplies	2,030	
Other Services and Charges		
Contracted Services	676	
Transportation and Expense	103	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2004

Printing and Publishing	<u>3,373</u>	27,340	
Building and Grounds			
Personal Services			
Salaries and Wages	6,578		
Employee Benefits			
Unemployment	3		
Supplies			
Operating Supplies	942		
Other Services and Charges			
Public Utilities	1,715		
Repair and Maintenance	1,457		
Rental Refunds	1,024		
Capital Outlay	<u>2,495</u>	14,214	
Municipal Building			
Personal Services			
Salaries and Wages	2,024		
Employee Benefits			
Unemployment	3		
Supplies			
Operating Supplies	1,665		
Other Services and Charges			
Communications	3,565		
Public Utilities	6,219		
Repairs and Maintenance	5,939		
Capital Outlay	<u>4,990</u>	24,405	
Cemetery			
Personal Services			
Salaries and Wages	7,680		
Employee Benefits			
Unemployment	3		
Other Services and Charges			
Public Utilities	90		
Repairs and Maintenance	672		
Miscellaneous	350		
Capital Outlay	<u>2,495</u>	<u>11,290</u>	
Total General Government			142,400

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
YEAR ENDED JUNE 30, 2004

PUBLIC WORKS

Street Lighting		
Other Services and Charges		
Public Utilities		960

RECREATION AND CULTURAL

Recreation and Parks		
Personal Services		
Salaries and Wages	4,048	
Employee Benefits		
Unemployment	3	
Other Services and Charges		
Clean-Up Day	4,638	
Capital Outlay	2,495	
Total Recreation and Cultural		11,184

OTHER FUNCTIONS

Insurance and Bonds	3,881	
Employee Benefits		
Medicare and Social Security	8,803	
Pension Contribution	13,066	
Total Other Functions		25,750

DEBT SERVICE

Principal	1,343	
Interest	351	1,694
Total Expenditures		188,338

OTHER FINANCING USES

Operating Transfers Out		
Municipal Street Fund	18,926	
Liquor Law Enforcement Fund	1,000	
Total Other Financing Uses		19,926

TOTAL EXPENDITURES AND  
OTHER FINANCING USES

\$ 208,264

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Commercial Account	\$ 10,254	\$ 8,152
Special Assessments Receivable	9,214	20,228
Investments		
Short-Term Investment Fund	57,011	37,687
TOTAL ASSETS	<u>\$ 76,479</u>	<u>\$ 66,067</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,183	\$ 11,293
Deferred Revenue	7,219	7,324
Total Liabilities	11,402	18,617
<u>FUND BALANCE</u>		
Designated for:		
Street Improvements	65,077	47,450
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 76,479</u>	<u>\$ 66,067</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Interest and Rents				
Interest Earnings	\$ 590	\$ 590	\$ 657	\$ 1,103
Other Revenue				
Special Assessments	872	872	2,410	19,789
Penalties on Late Payments	53	53	46	109
Total Revenues	<u>1,515</u>	<u>1,515</u>	<u>3,113</u>	<u>21,001</u>
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Supplies				
Office Supplies	25	25	0	0
Other Services and Charges				
Printing and Publishing	500	500	229	410
Repairs and Maintenance	62,561	62,561	4,183	32,479
Debt Service				
Principal Payments	0	0	0	18,385
Total Expenditures	<u>63,086</u>	<u>63,086</u>	<u>4,412</u>	<u>51,274</u>
Excess of Revenues Over (Under) Expenditures	(61,571)	(61,571)	(1,299)	(30,273)
<u>OTHER FINANCING SOURCES</u>				
Operating Transfers In				
General Fund	20,000	20,000	18,926	21,074
Excess of Revenues and Other Sources Over (Under) Expenditures	(41,571)	(41,571)	17,627	(9,199)
<u>FUND BALANCE</u> - Beginning of Year	<u>41,575</u>	<u>41,575</u>	<u>47,450</u>	<u>56,649</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 65,077</u>	<u>\$ 47,450</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Petty Cash	\$      200	\$      200
Commercial Account	17,247	1,525
Investments		
Short-Term Investment Fund	83,022	78,552
Taxes Receivable	98	112
Due from General Fund	3,817	0
	<hr/>	<hr/>
TOTAL ASSETS	\$  104,384	\$   80,389
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$      967	\$      882
<u>FUND BALANCE</u>		
Reserved for Fire Protection	103,417	79,507
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$  104,384	\$   80,389
	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Current Property Tax	\$ 77,000	\$ 77,000	\$ 76,707	\$ 73,263
State Grants	0	0	3,290	0
Charges for Services	1,275	1,275	275	1,250
Interest and Rents				
Interest Earnings	1,000	1,000	439	1,336
Other Revenues				
Refunds and Rebates	0	0	0	75
Donations	500	500	1,955	6,408
Total Revenues	<u>79,775</u>	<u>79,775</u>	<u>82,666</u>	<u>83,832</u>
<u>EXPENDITURES</u>				
Public Safety				
Fire Protection				
Personal Services				
Salaries and Wages	26,500	26,500	18,453	20,789
Employee Benefits				
Michigan Unemployment	50	50	45	26
Supplies				
Office Supplies	1,000	1,000	30	215
Operating Supplies	9,500	9,500	7,179	10,952
Other Services and Charges				
Contracted Services	300	300	75	101
Communication	500	500	273	377
Transportation	1,000	1,000	1,623	1,098
Taxes Abated and Written Off	0	0	11	0
Insurance and Bonds	10,500	10,500	9,094	9,764
Public Utilities	2,350	2,350	0	1,781
Printing and Publishing	350	350	128	218



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Repair and Maintenance	12,600	12,600	7,833	9,837
Miscellaneous	5,000	5,000	281	1,756
Dues and Subscriptions	0	0	200	0
Education and Training	800	800	1,644	542
Capital Outlay				
Equipment	25,000	25,000	22,268	298,010
Building	1,500	1,500	0	16,109
Debt Service				
Principal	0	0	1,343	0
Interest	0	0	351	0
Total Expenditures	<u>96,950</u>	<u>96,950</u>	<u>70,831</u>	<u>371,575</u>
Excess of Revenues Over (Under) Expenditures	(17,175)	(17,175)	11,835	(287,743)
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Payable Issued	0	0	9,975	0
Sale of Fixed Assets	0	0	2,100	1,500
Operating Transfers In (Out)				
General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>213,642</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>12,075</u>	<u>215,142</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(17,175)	(17,175)	23,910	(74,101)
<u>FUND BALANCE</u> - Beginning of Year	<u>51,700</u>	<u>51,700</u>	<u>79,507</u>	<u>153,608</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 34,525</u>	<u>\$ 34,525</u>	<u>\$ 103,417</u>	<u>\$ 79,507</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Commercial Account	<u>\$      1,125</u>	<u>\$      803</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$          0</u>	<u>\$          0</u>
<u>FUND BALANCE</u>		
Designated for Liquor Law Enforcement	<u>1,125</u>	<u>803</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$      1,125</u>	<u>\$      803</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
State Grants				
Liquor Licenses	\$ 1,743	\$ 1,743	\$ 1,857	\$ 1,820
<u>EXPENDITURES</u>				
Public Safety				
Law Enforcement				
Personal Services				
Salaries and Wages	2,400	2,400	2,400	2,400
Supplies				
Operating Supplies	150	150	0	0
Other Services and Charges				
Transportation	100	100	0	0
Insurance and Bonds	150	150	135	124
Miscellaneous	200	200	0	0
Total Expenditures	3,000	3,000	2,535	2,524
Excess of Revenues Over (Under) Expenditures	(1,257)	(1,257)	(678)	(704)
<u>OTHER FINANCING SOURCES</u>				
Operating Transfers In				
General Fund	1,000	1,000	1,000	1,000
Excess of Revenues and Other Sources Over (Under) Expenditures	(257)	(257)	322	296
<u>FUND BALANCE</u> - Beginning of Year	826	826	803	507
<u>FUND BALANCE</u> - End of Year	\$ 569	\$ 569	\$ 1,125	\$ 803

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash		
Commercial Account	\$ 2,456	\$ 2,829
Money Market Account	<u>81,918</u>	<u>81,624</u>
TOTAL ASSETS	<u>\$ 84,374</u>	<u>\$ 84,453</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 23,934	\$ 18,624
<u>FUND BALANCE</u>		
Reserved for Lake Improvement	<u>60,440</u>	<u>65,829</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 84,374</u>	<u>\$ 84,453</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	<u>2004 BUDGET</u>		<u>2004</u>	<u>2003</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Contributions from Local Units				
Selma Township	\$ 24,000	\$ 24,000	\$ 24,150	\$ 26,250
City of Cadillac	625	625	775	775
Interest and Rents				
Interest Earnings	219	219	311	411
Other Revenue				
Special Assessments - Current	33,375	33,375	33,425	33,425
Penalties on Late Payments	0	0	0	86
Total Revenues	<u>58,219</u>	<u>58,219</u>	<u>58,661</u>	<u>60,947</u>
<u>EXPENDITURES</u>				
Recreation and Cultural				
Lake Improvement				
Supplies				
Office Supplies	300	300	0	0
Other Services and Charges				
Insurance	650	650	675	619
Professional Services	14,000	14,000	33,530	17,500
Weed Harvesting and Chemicals	70,000	70,000	29,154	40,739
Printing and Publishing	1,000	1,000	691	0
Miscellaneous	500	500	0	0
Total Expenditures	<u>86,450</u>	<u>86,450</u>	<u>64,050</u>	<u>58,858</u>
Excess of Revenues				
Over (Under) Expenditures	(28,231)	(28,231)	(5,389)	2,089
<u>FUND BALANCE</u> - Beginning of Year	<u>80,280</u>	<u>80,280</u>	<u>65,829</u>	<u>63,740</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 52,049</u>	<u>\$ 52,049</u>	<u>\$ 60,440</u>	<u>\$ 65,829</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Money Market Account	\$ 31,941	\$ 28,959
Accounts Receivable		
Service Billings	27,345	25,179
Interest Receivable	2,359	2,264
Investments		
Short-Term Investment Fund and U.S. Treasury Notes	573,184	569,765
Total Current Assets	<u>634,829</u>	<u>626,167</u>
<u>CAPITAL ASSETS</u>		
Improvements Other Than Buildings	1,269,562	1,269,562
Less Accumulated Depreciation	<u>634,780</u>	<u>609,389</u>
Net Capital Assets	<u>634,782</u>	<u>660,173</u>
TOTAL ASSETS	<u>\$ 1,269,611</u>	<u>\$ 1,286,340</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	634,782	660,173
Unrestricted	<u>634,829</u>	<u>626,167</u>
Total Net Assets	<u>1,269,611</u>	<u>1,286,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,269,611</u>	<u>\$ 1,286,340</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Use Charges	\$ 107,425	\$ 99,696
<u>OPERATING EXPENSES</u>		
Public Works		
Insurance	135	124
Professional Services	895	845
Contracted Services		
Operation and Maintenance		
Wexford County Department of Public Works	100,959	101,376
Depreciation	25,391	25,391
Miscellaneous	7	0
Total Operating Expenses	<u>127,387</u>	<u>127,736</u>
Operating Income (Loss)	<u>(19,962)</u>	<u>(28,040)</u>
<u>NONOPERATING REVENUES</u>		
Interest Income	19,869	14,028
Net Increase (Decrease) in the Fair Value of Investments	<u>(16,636)</u>	<u>16,061</u>
Total NonOperating Revenues (Expenses)	<u>3,233</u>	<u>30,089</u>
Change in Net Assets	(16,729)	2,049
<u>TOTAL NET ASSETS - Beginning of Year</u>	<u>1,286,340</u>	<u>1,284,291</u>
<u>TOTAL NET ASSETS - End of Year</u>	<u>\$ 1,269,611</u>	<u>\$ 1,286,340</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN  
SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 105,259	\$ 101,178
Cash Payments to Suppliers for Goods and Services	(101,996)	(102,345)
Net Cash Provided (Used) by Operating Activities	<u>3,263</u>	<u>(1,167)</u>
Cash Flows from Investing Activities:		
Interest on Investments	19,774	14,028
Net Increase (Decrease) in Fair Value of Investments	(16,636)	16,061
Acquisition of Short-Term Investment Fund and U.S. Treasury Notes	(3,419)	(29,905)
Net Cash Provided (Used) by Investing Activities	<u>(281)</u>	<u>184</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,982	(983)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>28,959</u>	<u>29,942</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 31,941</u>	<u>\$ 28,959</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (19,962)</u>	<u>\$ (28,040)</u>
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities		
Depreciation	25,391	25,391
(Increase) Decrease in Current Assets		
Accounts Receivable - Service Billings	(2,166)	1,429
Total Adjustments	<u>23,225</u>	<u>26,873</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,263</u>	<u>\$ (1,167)</u>



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

AGENCY FUNDS

COMBINING BALANCE SHEET  
JUNE 30, 2004

			CURRENT TAX	
		AGENCY	COLLECTION	TOTAL
	<u>ASSETS</u>			
Cash		\$ 0	\$ 0	\$ 0
	<u>BALANCE</u>			
Unreserved		\$ 0	\$ 0	\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

AGENCY FUND

BALANCE SHEET  
JUNE 30, 2004

ASSETS

Cash  
Commercial Account

\$ 0

BALANCE

Unreserved

\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
YEAR ENDED JUNE 30, 2004

RECEIPTS

Due to State of Michigan			\$	4,991
Withholding Tax				
Due to Federal Government				
Social Security and Medicare	17,606			
Withholding Tax	<u>17,264</u>			<u>34,870</u>
Total Receipts				39,861

DISBURSEMENTS

Due to State of Michigan				
Withholding Tax		4,991		
Due to Federal Government				
Social Security and Medicare	17,606			
Withholding Tax	<u>17,264</u>			<u>34,870</u>
Total Disbursements				<u>39,861</u>
Excess of Receipts Over (Under) Disbursements				0

<u>BALANCE</u> - Beginning of Year				<u>0</u>
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<u>BALANCE</u> - End of Year			\$	<u><u>0</u></u>
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CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

BALANCE SHEET  
JUNE 30, 2004

	<u>ASSETS</u>	
Cash		
Money Market Account		<u>\$          0</u>
	<u>BALANCE</u>	
Unreserved		<u>\$          0</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
YEAR ENDED JUNE 30, 2004

RECEIPTS

Current Tax Collections		
Summer Tax Roll	\$ 673,350	
Winter Tax Roll	1,582,846	
Delinquent Tax and Penalties	8,435	
Property Tax Administration Fee	22,206	
Dog License Fees	37	
Interest Earnings	460	
Overcollections from Taxpayers	<u>21,472</u>	
 Total Receipts		 2,308,806

DISBURSEMENTS

Payments to County Treasurer		
Current Tax		
County	712,898	
State Education Tax	369,704	
Delinquent Tax and Penalties		
County	4,564	
Dog License Fees	<u>21</u>	1,087,187
Payments to Township Treasurer		
Current Tax		
Operating	55,346	
Fire	69,030	
Lake Mitchell Special Assessment	30,900	
Delinquent Sewer Service Billings	1,339	
Delinquent Road Assessment	726	
Delinquent Tax		
Operating	1,501	
Fire	127	
Property Tax Administration Fee	22,206	
Dog License Fees	16	
Interest Earnings		
Operating	<u>446</u>	181,637

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
YEAR ENDED JUNE 30, 2004

Payments to School Treasurer			
Current Tax			
Cadillac Area Public Schools	590,252		
Pine River Area Schools	5,345		
Delinquent Tax and Penalties			
Cadillac Area Public Schools	2,841	598,438	
Payments to Intermediate School Treasurer			
Wexford-Missaukee Intermediate			
Current Tax	420,656		
Delinquent Tax and Penalties	802	421,458	
Refund to Taxpayers for Overcollections and Adjustments		21,472	
Service Charges and Supplies		14	
Total Disbursements			<u>2,310,206</u>
Excess of Receipts Over (Under) Disbursements			(1,400)
<u>BALANCE</u> - Beginning of Year			<u>1,400</u>
<u>BALANCE</u> - End of Year			<u>\$ 0</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF 2003 SUMMER PROPERTY TAX ROLL  
JUNE 30, 2004

TAXES ASSESSED

State Education Tax	\$ 389,514	
Schools		
Cadillac Area Public Schools	<u>323,993</u>	713,507

TAXES COLLECTED

State Education Tax	369,704	
Schools		
Cadillac Area Public Schools	<u>303,646</u>	<u>673,350</u>

TAXES RETURNED DELINQUENT

State Education Tax	19,810	
Schools		
Cadillac Area Public Schools	<u>20,347</u>	<u>\$ 40,157</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF 2003 WINTER PROPERTY TAX ROLL  
JUNE 30, 2004

TAXES ASSESSED

County	\$ 791,931	
Township		
Operating	61,501	
Fire	76,707	
Lake Mitchell Special Assessment	33,425	
Delinquent Sewer Service Billings	1,878	
Delinquent Road Assessments	917	
Schools		
Cadillac Area Public Schools	323,991	
Pine River Area Schools	6,262	
Intermediate School		
Wexford-Missaukee Intermediate	<u>467,435</u>	1,764,047

TAXES COLLECTED

County	712,898	
Township		
Operating	55,346	
Fire	69,030	
Lake Mitchell Special Assessment	30,900	
Delinquent Sewer Service Billings	1,339	
Delinquent Road Assessments	726	
Schools		
Cadillac Area Public Schools	286,606	
Pine River Area Schools	5,345	
Intermediate School		
Wexford-Missaukee Intermediate	<u>420,656</u>	<u>1,582,846</u>



CHERRY GROVE TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF 2003 WINTER PROPERTY TAX ROLL  
JUNE 30, 2004

TAXES RETURNED DELINQUENT

County	79,033	
Township		
Operating	6,155	
Fire	7,677	
Lake Mitchell Special Assessment	2,525	
Delinquent Sewer Service Billings	539	
Delinquent Road Assessments	191	
Schools		
Cadillac Area Public Schools	37,385	
Pine River Area Schools	917	
Intermediate School		
Wexford-Missaukee Intermediate	<u>46,779</u>	<u>\$ 181,201</u>

134 WEST HARRIS STREET  
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231-775-9789  
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M. WAYNE BEATTIE, C.P.A.  
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JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

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MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 2, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Cherry Grove Township  
Wexford County  
Cadillac, Michigan

During the course of our audit of the basic financial statements of Cherry Grove Township for the year ended June 30, 2004, we noted the following:

Budgeting Procedures

Overall, the Township did a good job budgeting. No funds expenditures exceeded appropriations this year.

Condition of Accounting Records

The accounting records were again found to be in excellent condition. We would like to congratulate the Clerk and Treasurer for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

Due (To) From Other Funds

Currently at June 30, 2004, the records of the Township reflect an amount due from the General Fund to the Fire Fund. This amount represents the net effect of reconciling the new pickup truck payments to the spread of the expense by percentages determined by the Township Board.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

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CERTIFIED PUBLIC ACCOUNTANTS

September 2, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Cherry Grove Township  
Wexford County  
Cadillac, Michigan

In planning and performing our audit of the financial statements of Cherry Grove Township, Wexford County, Cadillac, Michigan for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*